

UNITED STATES BANKRUPTCY COURT

SOUTHERN DISTRICT OF NEW YORK

In re: _____

Chapter 11 Case No.

Lehman Brothers Holdings Inc., et al.,

08-13555

Debtors.

AUGUST 2015 POST-EFFECTIVE OPERATING REPORT

AUGUST 1, 2015 – AUGUST 31, 2015

SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS

SCHEDULE OF PROFESSIONAL FEE AND EXPENSE DISBURSEMENTS

RESPONSES TO QUESTIONS SUBMITTED

DEBTORS' ADDRESS: LEHMAN BROTHERS HOLDINGS INC.
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REPORT PREPARER: LEHMAN BROTHERS HOLDINGS INC., AS PLAN ADMINISTRATOR

Date: September 30, 2015

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SCHEDULE OF DEBTORS

The following entities (the “Debtors”) filed for bankruptcy in the United States Bankruptcy Court for the Southern District of New York (the “Bankruptcy Court”) on the dates indicated below. On December 6, 2011, the Bankruptcy Court confirmed the Modified Third Amended Joint Chapter 11 Plan of Lehman Brothers Holdings Inc. and its Affiliated Debtors (the “Plan”). On March 6, 2012, the “Effective Date” (as defined in the Plan) occurred. The Debtors’ Chapter 11 cases remain open as of the date hereof.

	<u>Case No.</u>	<u>Date Filed</u>
Lehman Brothers Holdings Inc. (“LBHI”)	08-13555	9/15/2008
LB 745 LLC.....	08-13600	9/16/2008
PAMI Statler Arms LLC.....	08-13664	9/23/2008
Lehman Brothers Commodity Services Inc. (“LBCS”)	08-13885	10/3/2008
Lehman Brothers Special Financing Inc. (“LBSF”)	08-13888	10/3/2008
Lehman Brothers OTC Derivatives Inc. (“LOTC”).....	08-13893	10/3/2008
Lehman Brothers Derivative Products Inc. (“LBDP”)	08-13899	10/5/2008
Lehman Commercial Paper Inc. (“LCPI”).....	08-13900	10/5/2008
Lehman Brothers Commercial Corporation (“LBCC”)	08-13901	10/5/2008
Lehman Brothers Financial Products Inc. (“LBFP”)	08-13902	10/5/2008
Lehman Scottish Finance L.P.	08-13904	10/5/2008
CES Aviation LLC	08-13905	10/5/2008
CES Aviation V LLC.....	08-13906	10/5/2008
CES Aviation IX LLC	08-13907	10/5/2008
East Dover Limited	08-13908	10/5/2008
Luxembourg Residential Properties Loan Finance S.a.r.l.....	09-10108	1/7/2009
BNC Mortgage LLC	09-10137	1/9/2009
LB Rose Ranch LLC	09-10560	2/9/2009
Structured Asset Securities Corporation.....	09-10558	2/9/2009
LB 2080 Kalakaua Owners LLC	09-12516	4/23/2009
Merit LLC	09-17331	12/14/2009
LB Somerset LLC.....	09-17503	12/22/2009
LB Preferred Somerset LLC.....	09-17505	12/22/2009

The Company has established an email address to receive questions from readers regarding its financial disclosures. The Company plans to review questions received, and for those subjects which the Company determines a response would not (i) violate a confidentiality provision, (ii) place the Company in a competitive or negotiation disadvantage, or (iii) be unduly burdensome relative to the value of information requested, the Company shall endeavor to post a response (maintaining the anonymity of the originators of the questions). The Company assumes no obligation to respond to email inquiries.

Please email questions, with document references as relevant, to:

QUESTIONS@lehmanholdings.com

The Company’s previously posted responses can be found on the Epiq website maintained for the Company:

www.lehman-docket.com under Key Documents

LEHMAN BROTHERS HOLDINGS INC. AND OTHER DEBTORS AND DEBTOR-CONTROLLED ENTITIES**BASIS OF PRESENTATION
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
AUGUST 1, 2015 – AUGUST 31, 2015**

The information and data included in this August 2015 Post-Effective Operating Report (the “Operating Report”) are derived from sources available to Lehman Brothers Holdings Inc. (“LBHI”), as Plan Administrator, and its Controlled Entities (collectively, the “Company”). The term “Controlled Entities” refers to those entities that are directly or indirectly controlled by LBHI, and excludes, among others, those entities that are under separate administrations in the United States or abroad. LBHI and certain of its Controlled Entities filed for protection under Chapter 11 of the Bankruptcy Code, and those entities are referred to herein as the “Debtors”. The Debtors’ Chapter 11 cases have been consolidated for procedural purposes only and are being jointly administered pursuant to Rule 1015(b) of the Federal Rules of Bankruptcy Procedure. LBHI has prepared this Operating Report, which includes certain information as required by the Office of the US Trustee, based on the information available to LBHI at this time, but notes that such information may be incomplete and may be materially deficient in certain respects. This Operating Report is not meant to be relied upon as a complete description of the Debtors, their business, condition (financial or otherwise), results of operations, prospects, assets or liabilities. LBHI reserves all rights to revise this report.

Other items:

1. This Operating Report is not prepared in accordance with U.S. generally accepted accounting principles (GAAP), is not audited and will not be subject to audit or review by the Company’s external auditors at any time in the future. Cash balances and activity denominated in foreign currencies have been converted to US Dollars.
2. Beginning and ending balances include demand deposits, interest-bearing deposits with banks, U.S. and foreign money-market funds, U.S. government obligations, U.S. government guaranteed securities, investment grade corporate bonds and commercial paper, and AAA-rated asset-backed securities secured by auto loans and credit card receivables.
3. Beginning and ending cash balances are based on preliminary closing numbers and are subject to adjustment.
4. Beginning and ending cash and investment balances exclude the following:
 - Cash posted as collateral for hedging activity; and
 - Cash held at real estate owned properties or at third party real estate managers.

5. Restricted cash balances are based on preliminary estimates and are comprised of the following items as of August 31, 2015:

(\$ in millions)	Debtors					Debtor- Controlled Entities	Total Debtors and Debtor- Controlled Entities
	LBHI	LBSF	LCPI	Other	Total		
Reserves for Claims:							
Disputed unsecured claims ⁽¹⁾	\$ 1,882	\$ 1,515	\$ 16	\$ 309	\$ 3,722	\$ -	\$ 3,722
Tax claims ⁽²⁾	0	25	-	4	29	-	29
Distributions on Allowed Claims (not remitted) ⁽³⁾	113	1	50	4	168	-	168
Secured, Admin, Priority Claims and Other	62	13	7	9	91	-	91
Subtotal, Claims Reserves	2,057	1,555	73	325	4,010	-	4,010
Cash pledged to JPMorgan (CDA) ⁽⁴⁾	76	-	-	-	76	-	76
Citigroup and HSBC ⁽⁵⁾	2,034	-	-	-	2,034	-	2,034
Other ⁽⁶⁾	181	21	1	25	228	73	301
Total	\$ 4,350	\$ 1,575	\$ 74	\$ 350	\$ 6,349	\$ 73	\$ 6,422

Totals may not foot due to rounding.

- (1) Represents the cash reserve for the principal amount of the disputed unsecured claims subsequent to the seventh Plan distribution on April 2, 2015.
- (2) The \$29 million at LBSF and LBCC represents the cash reserve for non-income tax issues.
- (3) Includes (i) \$69 million related to claimants subject to Office of Foreign Asset Control (“OFAC”), and (ii) \$99 million related to other open items.
- (4) Represents \$76 million of cash deposited into accounts by LBHI and pledged to JPMorgan (and its affiliates, “JPM”) pursuant to paragraph 6(b) of the Collateral Disposition Agreement (“CDA”) with JPM effective March 31, 2010; related to, but not limited to, clearance exposures and derivative exposures pending resolution of these items.
- (5) Represents cash deposited on or prior to September 15, 2008 by the Company in connection with certain requests and/or documents executed by the Company and Citibank N.A. of approximately \$2 billion and HSBC Bank PLC of \$26 million, including interest earned thereon. The Company is in discussion with HSBC Bank and commenced litigation against Citigroup regarding these deposits, among other things.
- (6) Other includes (i) various pre-petition balances on administrative hold by certain financial institutions of \$91 million; (ii) asserted misdirected wires and other cash received by LBHI for the benefit of third parties and Non-Controlled Affiliates of approximately \$56 million; and (iii) other miscellaneous items of \$154 million.

Restricted cash balances herein do not include other cash reserves required for operating expenses, asset preservation and other commitments (e.g. anticipated investments).

LEHMAN BROTHERS HOLDINGS INC. and other Debtors and Debtor-Controlled Entities
Summary Schedule of Cash Receipts and Disbursements
August 1, 2015 - August 31, 2015

Unaudited (\$ in millions, foreign currencies reflected in USD equivalents)

	Debtors					Debtor- Controlled Entities	Total Debtors and Debtor- Controlled Entities
	LBHI	LBSF	LCPI	Other	Total	Total	
Beginning Free Cash and Investments (08/01/15)	\$ 353	\$ 68	\$ 134	\$ 833	\$ 1,388	\$ 671	\$ 2,059
Restricted Cash	4,348	1,575	80	350	6,354	74	6,428
Beginning Total Cash and Investments	4,700	1,643	214	1,184	7,742	744	8,486
Sources of Cash							
Commercial Real Estate	0	-	9	-	9	35	44
Loans (Corporate and Residential)	2	-	3	-	5	0	5
Private Equity / Principal Investing	0	-	0	-	0	11	11
Derivatives	-	29	-	-	29	4	33
Receipts from Affiliates	430	0	-	8	439	56	495
Other	(1)	0	(2)	0	(2)	0	(2)
Total Sources of Cash	431	30	10	8	479	106	585
Uses of Cash							
Non-Operating							
Commercial Real Estate	(4)	-	0	-	(3)	(3)	(7)
Loans (Corporate and Residential)	(1)	-	-	-	(1)	-	(1)
Payments to Creditors	(2)	-	-	-	(2)	(1)	(3)
Other	(2)	15	-	-	12	(0)	12
Operating Expenses	(17)	(0)	(0)	(0)	(17)	(2)	(19)
Total Uses of Cash	(27)	15	0	(0)	(12)	(6)	(18)
Net Cash Flow	404	45	11	8	467	100	568
Inter-Company Transfers, Net	(123)	0	36	250	164	(164)	0
Loan Agencies, Net	(0)	-	(7)	-	(7)	-	(7)
FX Fluctuation	1	(0)	(0)	0	1	(0)	1
Ending Total Cash and Investments	4,982	1,688	255	1,442	8,368	681	9,049
Restricted Cash	(4,350)	(1,575)	(74)	(350)	(6,349)	(73)	(6,422)
Ending Free Cash and Investments (08/31/15)	\$ 633	\$ 113	\$ 181	\$ 1,092	\$ 2,019	\$ 608	\$ 2,627

All values that are exactly zero are shown as "-". Values between zero and \$0.5 million appear as "0".
Totals may not foot due to rounding.

LEHMAN BROTHERS HOLDINGS INC. and other Debtors and Debtor-Controlled Entities
Schedule of Cash Receipts and Disbursements
August 1, 2015 - August 31, 2015

Unaudited (\$ in millions, foreign currencies reflected in USD equivalents)

	Debtors						Debtor- Controlled Entities	Total Debtors and Debtor- Controlled Entities
	LBHI	LBSF	LCPI	Other	Total	Other	Total	
Beginning Free Cash and Investments (08/01/15)	\$ 353	\$ 68	\$ 134	\$ 833	\$ 1,388	\$ 519	\$ 671	\$ 2,059
Restricted Cash	4,348	1,575	80	350	6,354	73	74	6,428
Beginning Total Cash and Investments	4,700	1,643	214	1,184	7,742	592	744	8,486
Sources of Cash								
Commercial Real Estate								
Principal (a)	0	-	9	-	9	27	34	42
Interest	-	-	0	-	0	-	1	1
Loans (Corporate and Residential)								
Principal	1	-	3	-	5	0	0	5
Interest	0	-	0	-	0	0	0	0
Private Equity / Principal Investing								
Principal	0	-	0	-	0	0	11	11
Interest and Dividends	-	-	0	-	0	-	-	0
Derivatives								
Return / (Posting) of Hedging Collateral, net	-	(3)	-	-	(3)	-	-	(3)
Collections from Live / Terminated Trades	-	32	-	-	32	4	4	36
Receipts from Affiliates								
Distributions from Non-Controlled Affiliates (b)	430	0	-	8	439	56	56	495
Other								
Other	(1)	0	(2)	0	(2)	0	0	(2)
Total Sources of Cash	431	30	10	8	479	88	106	585

All values that are exactly zero are shown as "-". Values between zero and \$0.5 million appear as "0".
Totals may not foot due to rounding.

LEHMAN BROTHERS HOLDINGS INC. and other Debtors and Debtor-Controlled Entities
Schedule of Cash Receipts and Disbursements
August 1, 2015 - August 31, 2015

Unaudited (\$ in millions, foreign currencies reflected in USD equivalents)

	Debtors						Debtor- Controlled Entities	Total Debtors and Debtor- Controlled Entities								
	LBHI	LBSF	LCPI	Other	Total	Other	Total									
Uses of Cash																
Non-Operating																
Commercial Real Estate																
Preservation of Assets	(4)	-	0	-	(3)	(2)	(3)	(7)								
Loans (Corporate and Residential)																
Preservation of Assets	(1)	-	-	-	(1)	-	-	(1)								
Payments to Creditors																
Plan Distributions	(2)	-	-	-	(2)	-	-	(2)								
Payments to Creditors - Non Controlled Affiliates	-	-	-	-	-	(1)	(1)	(1)								
Other																
Other	(2)	15	-	-	12	(0)	(0)	12								
Operating Expenses	(c)															
Compensation and Benefits	(d)	(4)	-	-	(4)	(1)	(1)	(5)								
Professional Fees		(11)	-	-	(11)	(0)	(0)	(11)								
Other	(e)	(2)	(0)	(0)	(2)	(1)	(1)	(3)								
Total Uses of Cash	(27)	15	0	(0)	(12)	(5)	(6)	(18)								
Net Cash Flow	404	45	11	8	467	83	100	568								
Inter-Company Receipts	(f)	127	0	37	250	415	20	435								
Inter-Company Disbursements	(f)	(250)	-	(0)	-	(251)	(151)	(435)								
Loan Agencies, Net		(0)	-	(7)	-	(7)	-	(7)								
FX Fluctuation		1	(0)	(0)	0	1	(0)	1								
Ending Total Cash and Investments	(g)	4,982	1,688	255	1,442	8,368	545	9,049								
Restricted Cash		(4,350)	(1,575)	(74)	(350)	(6,349)	(73)	(6,422)								
Ending Free Cash and Investments (08/31/15)	\$	633	\$	113	\$	181	\$	1,092	\$	2,019	\$	472	\$	608	\$	2,627

All values that are exactly zero are shown as "-". Values between zero and \$0.5 million appear as "0".

LEHMAN BROTHERS HOLDINGS INC. and other Debtors and Debtor-Controlled Entities
Schedule of Cash Receipts and Disbursements
August 1, 2015 - August 31, 2015

Unaudited (\$)

Notes:

- (a) Cash collections primarily include \$25 million at PAMI Holdings LLC from the sale of various assets.
- (b) Receipts from Non-Controlled Affiliates primarily include (i) \$401 million from Lehman Brothers Asia Holding Ltd. to LBHI (\$362 million), LBCC (\$8 million), and other Debtor-Controlled Entities (\$31 million), (ii) \$50 million from Lehman Brothers Finance S.A. to LBHI, and (iii) \$39 million from LB UK RE Holdings Ltd to LBHI (\$13 million) and other Debtor-Controlled Entities (\$26 million).
- (c) A portion of the Operating Expenses paid by LBHI is subject to allocations to, and reimbursement from, various Controlled Entities.
- (d) Compensation and Benefits includes the Company's employee expenses as well as fees paid to Alvarez & Marsal (A&M).
- (e) Operating Expenses - Other includes payments related to outsourced services, IT, occupancy, taxes, insurance and other general administrative items.
- (f) Inter-Company Receipts and Disbursements primarily include the final repayment by LBHI to LOTC of \$250 million related to a \$605 million loan made to LBHI by LOTC in March 2015. Intercompany transfers also include partial repayments on intercompany balances and other administrative activities.
- (g) Ending Total Cash and Investments for Debtor-Controlled Entities - Other includes \$64 million of cash balances at Debtor-Controlled Entities in Asia.

LEHMAN BROTHERS HOLDINGS INC. AND OTHER DEBTORS AND DEBTOR-CONTROLLED ENTITIES

**BASIS OF PRESENTATION
SCHEDULE OF PROFESSIONAL FEE AND EXPENSE DISBURSEMENTS
AUGUST 1, 2015 – AUGUST 31, 2015**

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1. This Operating Report is not prepared in accordance with U.S. generally accepted accounting principles (GAAP), is not audited and will not be subject to audit or review by the Company’s external auditors at any time in the future.
2. The professional fee disbursements presented in this report reflect the date of actual cash payments to professional service providers. The Company has incurred additional professional fee expenses during the reporting period that will be reflected in future Operating Reports as cash payments are made to providers.
3. The professional fee disbursements presented in this report have primarily been paid by LBHI; a portion of these fees have been and will be allocated to Debtors and certain Controlled Entities based on the dedicated costs associated with each entity and an allocation methodology.

LEHMAN BROTHERS HOLDINGS INC. and Other Debtors and Debtor-Controlled Entities
Schedule of Professional Fee and Expense Disbursements
August 2015 (a)

Unaudited (\$ in thousands)

		Aug-15	Year-to-date
Alvarez & Marsal LLC	Interim Management	\$ 1,558	\$ 13,438
Professional Fees			
Akerman Senterfitt & Eidson PA	Special Counsel	60	407
Curtis, Mallet-Provost, Colt & Mosle LLP	Litigation Counsel	495	4,481
Dechert LLP	Special Counsel	-	226
Epiq Bankruptcy Solutions LLC	Claims Management and Noticing Agent	203	2,405
Kirkland & Ellis LLP	Special Counsel - Tax and International Matters	339	697
Jones Day	Litigation Counsel	567	5,273
Jones & Keller, P.C.	Special Counsel - RMBS	1,007	5,996
Milbank Tweed Hadley & McCloy LLP	UCC Litigation Committee and Litigation Counsel	101	1,275
Paul, Hastings, Janofsky & Walker LLP	Special Counsel - Real Estate	1	553
Quinn Emanuel Urquhart Oliver & Hedges, LLP	Litigation Counsel	1,717	14,207
Recovco Mortgage Management LLC	RMBS - Private Label And Downstream Litigations	2,168	9,006
Skadden, Arps, Slate, Meagher & Flom LLP	Special Counsel - Tax, Litigation, Other, and BOD counsel	132	527
Weil Gotshal & Manges LLP	Lead Counsel - Debtors	1,625	16,994
Willkie Farr & Gallagher LLP	Special Counsel - RMBS	230	2,827
Wollmuth Maher & Deutsch LLP	Special Counsel - Derivatives and RMBS	589	4,745
US Trustee Quarterly Fees		-	539
Other Professionals	Various	2,128 (b)	21,511
Sub-total Professional Fees		11,362	91,669
Total Professional Fees (including A&M)		12,919	105,107
Alvarez & Marsal LLC	Incentive fees	-	9,100 (c)
Houlihan Lokey Howard & Zukin Capital Inc.	Incentive fees	-	1,820 (c)
Total Incentive Fees		-	10,920
Total Professional and Incentive Fees		\$ 12,919	\$ 116,027

(a) The Company has incurred additional professional fee expenses that will be reflected in future Operating Reports.

(b) Other Professionals reflect disbursements, including expert witnesses fees, to over 100 vendors.

(c) Reflects incentive fees related to the Seventh Distribution to holders of Allowed Claims. Refer to Docket No. 32470 and Docket No 32155 for additional information on Alvarez & Marsal and Houlihan Lokey incentive fees, respectively.

LEHMAN BROTHERS HOLDINGS INC. AND OTHER DEBTORS AND DEBTOR-CONTROLLED ENTITIES

**BASIS OF PRESENTATION
RESPONSES TO QUESTION SUBMITTED**

The information included herein is derived from publicly filed documents and sources available to the Company.

The readers should refer to the respective documents referenced herein. Capitalized terms used but not specifically defined herein shall have the meaning ascribed to them in the Plan and/or the referenced document(s). The reader should read this report and the documents referenced herein with the understanding that as more information becomes available to the Company, any forward-looking statements may change, potentially in a material way.

- 1. QUESTION:** In reference to “Exhibit D” of the Notice Regarding Eighth Distribution [Docket No. 50984], please clarify how much of LBHI’s “Allowed Claims Eligible for Distributions at D8” of \$229,234.6 million relates to allowed claims that LBHI holds against itself.

Response: LBHI is the holder of allowed claims against itself of approximately \$12.4 billion, primarily comprised of (i) \$7.8 billion of Class 4A claims, (ii) \$1.9 billion of Class 9B claims, (iii) \$1.2 billion of Class 3 claims, (iv) \$0.7 billion of Class 9A claims, and (v) \$0.6 billion of Class 7 claims.

- 2. QUESTION:** According to the Company’s Quarterly Financial Reports, LBHI’s receivable from Lehman Brothers Asia Holdings (“LBAH”) was \$9,127 million, \$9,245 million and \$9,593 million as of June 30, 2014, December 31, 2014, and June 30, 2015, respectively. Please explain the increase in this receivable balance.

Response: The increase in LBHI’s receivable from LBAH is primarily related to claims assigned to LBHI as a result of the dissolution of certain Debtor-Controlled Entities.